

August 12, 2003

Douglas A. Spaulding, P.E.
Spaulding Consultants, LLC
1433 Utica Avenue South, Suite 162
Minneapolis, MN 55416-1453

RE: Draft Application (6/12/2003) - Lower St. Anthony Falls Hydroelectric Project,
FERC No. 12451

On behalf of the staff of the City of Minneapolis, we would like to provide the following comments on your draft application:

The City of Minneapolis continues to support the use of hydropower as a clean, renewable power source. The City supports the concept of generating energy from the Mississippi River, assuming that concerns related to the proposed Lower St. Anthony Falls Hydroelectric Project i.e., aesthetic, recreational, fish mortality and lock impacts can be adequately addressed.

The City recognizes that of the alternatives initially considered for the Lower St. Anthony Falls site, the choice of using the auxiliary lock structure on the west bank of the River as the project site avoids potential concerns as they relate to the design and construction of the whitewater park as well as ongoing operational and security concerns. In choosing the auxiliary lock site, many negative impacts are avoided to the aesthetic environment in and around the "park side" site (east bank of the River in the whitewater park area) and on historical resources at the site and in the nearby National Register-listed St. Anthony Falls Historic District. The City does however recognize the following concerns:

- Corp of Engineer concerns regarding the impact of the auxiliary lock site on Corps operations that must be addressed before the site is considered viable.
- Concerns that the equipment building proposed for the auxiliary site, could negatively impact the historic district. We would still like to see additional information provided about the physical construction that would occur at the auxiliary lock site, including the small equipment building and any guidewall and other structures that will be needed, in order to better assess the aesthetic impact of this option and whether it might affect archaeological resources such as the remnants of Spirit Island that may exist upriver from the Lower St. Anthony Falls Lock and Dam.
- Concerns about the placement of the power line which would go under the service road up the bluff face to the tower located on 10th and West River Parkway. Use of a tube to convey the power line up the bluff would have a negative visual impact and impact vegetation on the bluff. If an existing tunnel that connects below-grade under 10th Avenue is used, concerns revolve around the issue of determining the historic nature of the tunnel and impacts that could result from utilizing it as a conveyance for the new power line. Whether the power is conveyed above or below grade, it will

need to cross West River Parkway and that will need appropriate approvals by the Minneapolis Park and Recreation Board.

Additionally, the City encourages the applicant to explore ways to interpret the hydropower history of the Lower St. Anthony Falls area.

The City recognizes that fishery impacts will occur at the auxiliary lock site and supports the basic concept of a mitigation package that includes a payment to DNR for uses that might benefit the whitewater park.

Finally, the City notes that in the application, under Exhibit D, Statement of Costs and Financing, (4), p. D3-4, the applicant assumes the estimated annual value of the project power¹ to be worth approximately 53.2 mills per kWh. The applicant would utilize this estimate as a baseline to solicit power purchase proposals for the project. The applicant anticipates a green tariff rate noting that "In May of 2002, the Public Utilities Commission (MN) approved a green tariff rate of 25 mills per kWh." But as a point of clarification, the tariff approved by the commission was for wind power only. There is not as yet an "overall tariff" for alternative energy and green power in Minnesota. A recent economic benefits calculation performed by the FERC for Xcel's St. Anthony Falls hydroelectric project estimated the energy value for the project to be about 30.61 mills per kWh with the cost of generating power at this project at only 18.95 mills². Since this is a low cost power option, the City questions applying a green price for this power.

Thank you again for the opportunity to comment.

Sincerely,

John Bergquist
Assistant City Coordinator
Director, Operations and Regulatory Services

Cc: Honorable Magalie R. Salas, Secretary FERC

¹ Based on a showing of the contract price for sale of power or the estimated average annual cost of obtaining an equivalent amount of power capacity and energy from the lowest cost alternative source specifying any projected changes in the cost of power from the source over the estimated financing or licensing period if the applicant takes such changes into account. Under Exhibit D, Statement of Costs and Financing, (4), p. D3-4.

² FERC Notice of Availability of Draft Environmental Assessment, Xcel Energy, Project No. 2056-016, July 31, 2003, p. 60.